

## Message Text

SECRET

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 NEA-10 SS-15 INR-07 SSO-00  
/052 W

-----091429Z 095372 /42 R

O R 091347Z MAY 77

FM USMISSION OECD PARIS  
TO AMEMBASSY MADRID IMMEDIATE  
AMEMBASSY TEHRAN IMMEDIATE  
INFO SECSTATE WASH DC 6530

S E C R E T SECTION 01 OF 02 OECD PARIS 13573

FOR ASSISTANT SECRETARY ATHERTON FROM DEPUTT ASSISTANT  
SECRETARY BOSWORTH

E.O. 11652: GDS

TAGS: OECD, CIEC

SUBJECT: BRIEFING MATERIAL FOR SECRETARY'S MEETING  
WITH THE SHAH

REF: STATE 102884

1. THE FOLLOWING COMMENTS RELATING TO THE BACKGROUND  
PAPER ON NORTH/SOUTH ISSUES AND OIL PRICES ARE  
PROVIDED FOR YOUR USE IN BRIEFING THE SECRETARY PRIOR  
TO HIS MEETING WITH THE SHAH.

2. ONE FACTUAL ITEM IN THE PAPER REQUIRES MODIFICA-  
TION. PARA 5 INCORRECTLY MENTIONS A "U.S. PROPOSAL FOR  
AN ENERGY FUND TO EASE THE BALANCE OF PAYMENTS PROBLEMS  
OF THE MOST HARD-PRESSED LDC'S." WHILE WE ARE  
CONSIDERING A CIEC RECOMMENDATION FOR THE IBRD TO GIVE  
GREATER PRIORITY TO LDC ENERGY DEVELOPMENT, WE DO NOT  
INTEND A PROPOSAL FOR A SPECIFIC ENERGY FUND NOR DO WE  
ENVISION A CIEC PROPOSAL THAT SPECIFICALLY ADDRESSES  
LDC BOP PROBLEMS. THE IRANIAN REACTION CITED IN THE  
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BACKGROUND PAPER PROBABLY REFERS TO A RECENT J.P.  
SMITH ARTICLE IN THE WASHINGTON POST IN WHICH HE  
CONFUSED A NUMBER OF CONCEPTS THEN UNDER CONSIDERATION  
IN THE ECONOMIC POLICY GROUP.

3. PARA 8 IN BRIEFING PAPER REQUIRES A CLARIFICATION.  
THE RECENT AMOUZEGAR STATEMENT THAT THE IRANIAN

POSITION ON INDEXATION AND THE PROTECTION OF PURCHAS-  
ING POWER OF OIL EXPORT EARNINGS HAS BECOME MORE  
FLEXIBLE IS SOMEWHAT MISLEADING. THE NEW POSITION  
DOES NOT REPEAT NOT REPRESENT A MOVEMENT TOWARD A  
POSITION WE FIND MORE COMPATIBLE. SINCE CURRENTLY THE  
PRICES OF MOST NEW ALTERNATIVE ENERGY SOURCES (E.G.,  
SHALE OIL, OIL FROM COAL, BUT NOT REPEAT NOT COAL AND  
NUCLEAR) ARE HIGHER THAN CURRENT OIL PRICES, THE  
IRANIANS WILL PROBABLY USE THE TIE BETWEEN OIL PRICES  
AND THE COST OF THESE NEW SOURCES TO JUSTIFY AN  
INCREASE IN OIL PRICES. OUR POSITION ON THIS ISSUE IS  
THAT WE RECOGNIZE OPEC CONCERN OVER THE VALUE OF OIL  
EXPORT EARNINGS BUT THAT NATIONAL AND INTERNATIONAL  
EFFORTS TO CURB INFLATION ARE THE MOST APPROPRIATE  
MEANS FOR ACHIEVING THIS RESULT.

4. IT WILL GREATLY FACILITATE OUR EFFORT TO CONCLUDE  
CIEC SUCCESSFULLY FOR THE SECRETARY TO MAKE SEVERAL  
CIEC-RELATED POINTS TO THE SHAH. MINISTER OF STATE  
YEGANEH, IRAN'S DELEGATE TO CIEC, IS A DIFFICULT AND  
INSECURE PERSON, THOUGH ONE OF THE PRINCIPAL MOVERS  
IN THE G-19. WHILE HE TALKS A DOVISH POSITION TO US,  
WE KNOW THAT HE IS HAWKISH IN G-19 CAUCUSES. THERE  
HAVE BEEN SOME INDICATIONS OVER THE PAST MONTHS THAT  
HE WOULD NOT BE ADVERSE TO A CIEC COLLAPSE, WHICH  
COULD BE USED AS A PRETEXT FOR A NEW OPEC PRICE BOOST.  
HE HAS BEEN PARTICULARLY NEGATIVE ON A CONTINUING  
DIALOGUE ON ENERGY AFTER CIEC.

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5. THE SHAH SHOULD UNDERSTAND THAT WE ATTACH  
CONSIDERABLE IMPORTANCE TO A SATISFACTORY CONCLU-  
SION TO CIEC AND THAT A COLLAPSE IN PARIS WILL LIKELY

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IMPACT ADVERSELY ON OUR ABILITY TO PROCEED EFFECTIVELY ON THE POST-CIEC DIALOGUE. WE SHOULD ALSO INDICATE THAT A) THE G-8 WILL OFFER THE G-19 A CREDIBLE FINAL CIEC PACKAGE, THOUGH FALLING SHORT OF G-19 ASPIRATIONS, AND B) IN THE EVENT OF A CIEC COLLAPSE, SUFFICIENT INFORMATION ON THE PACKAGE WILL BE AVAILABLE FOR THE PUBLIC TO JUDGE THE SERIOUSNESS OF OUR EFFORTS. WE DO NOT WANT IRAN AND OTHER OPEC MEMBERS OF THE G-19 TO BELIEVE THAT THEY CAN REJECT WITH IMPUNITY THE FINAL G-8 OFFER AND THEREBY ENSURE A CIEC FAILURE.

6. CIEC TALKING POINTS:

-- WE HAVE NOW ENTERED THE FINAL PHASE OF THE CIEC WORK IN PARIS. MY GOVERNMENT ATTACHES CONSIDERABLE IMPORTANCE TO A SUCCESSFUL OUTCOME FOR CIEC WHICH IS AN IMPORTANT STEP IN THE ONGOING NORTH/SOUTH DIALOGUE.

-- WE BELIEVE THE FINAL CIEC PACKAGE WILL DEMONSTRATE THE CREDIBILITY OF THE G-8 COMMITMENT TO PRODUCE IN CIEC CONCRETE AND BALANCED RESULTS ON IMPORTANT NORTH/SOUTH ISSUES. IT WILL, OF COURSE, FALL SHORT OF SOME G-19 ASPIRATIONS, BUT ASPIRATIONS MUST BE TEMPERED WITH  
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REALISM.

-- WE BELIEVE THE CIEC DISCUSSIONS ON ENERGY HAVE BEEN PARTICULARLY USEFUL AND BELIEVE THAT THE FINAL CIEC PACKAGE MUST PROVIDE FOR A CONTINUATION OF THIS IMPORTANT WORK WHICH IS NOT ADDRESSED IN ANY EXISTING ORGANIZATION.

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## Message Attributes

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